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Producers 88 (Revised)  
Paid-Up with Pooling

PAID UP Producers 88 (8/99 Revised)  
Texas General Form with Paid-Up Pooling

**OIL, GAS AND MINERAL LEASE**

This Lease Agreement (the "Lease") is entered into this 28th day of October, 2008, (the "Effective Date") between: **BUD STARNES & ASSOCIATES, INC.**, whose address is: ~~124~~ W. McLeroy Blvd., Saginaw, TX 76179 as "Lessor," whether one or more, and **Western Production Company, 801 Cherry Street, Suite 3850, Unit 39, Fort Worth, TX 76102**, as "Lessee."

In consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, the receipt of which is acknowledged, and of the royalties and agreements of Lessee contained in this Lease, Lessor grants, leases, and lets exclusively to Lessee, its successors and assigns, all of the land described in this Lease, together with any reversionary rights of Lessor, for the purpose of exploring by geological, geophysical, and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas (including, but not limited to, gas producible from coal bearing formations and all substances produced in association therewith) and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all related incidental rights, and to establish and utilize facilities for surface and subsurface disposal of produced water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and their products, together with the right of ingress and egress to and from the land subject to this Lease and across any other land now or later owned by Lessor. The land that is covered by and subject to this Lease is situated in Tarrant County, Texas, and is described as follows and referred to in this Lease as the "land" or the "lands":

BEING 2.5 acres, more or less, and being all of Lots 17A and 17B out of the Lakeside Acres Addition, an addition to the City of Fort Worth, out of the M. F. Hudson Survey, A-726, according to that certain plat recorded in Volume 388-40, Page 5, of the Plat Records of Tarrant County, Texas.

This Lease covers all of the land described above, and in addition it covers and there is expressly leased, let, and demised to the same extent as if described above, all lands owned or claimed by Lessor adjacent, contiguous to or a part of the lands specifically described above, whether the additional lands are owned or claimed by deed, limitation or otherwise, and whether they are inside or outside the stated description, whether they are held under fence by Lessor or not, and whether the additional lands are in the named survey or other survey or surveys. This is a Lease in gross and not by the acre and the bonus money paid shall be effective to cover all such lands irrespective of the number of acres they actually contained, and the lands included within the terms of this Lease are estimated to comprise comprise of 2.50 acres, whether they actually comprise more or less.

1. Without reference to the commencement, prosecution, or cessation at any time of drilling or other development operations, or to the discovery, development, or cessation at any time of production of oil, gas, or other minerals, and notwithstanding anything else contained in this Lease to the contrary, this Lease shall be for a term of one (1) years from the date stated above (the "Primary Term") and as long thereafter as oil, gas, or other minerals are produced from the lands, or land with which the lands are pooled, or as long as this Lease is continued in effect as otherwise provided by the terms of this Lease.
2. The royalties to be paid by Lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-fifth (1/5) of that produced and saved from the land, the same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected, Lessor's interest in either case shall bear its proportionate share of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas or other gaseous substances produced from the land and sold on or off the premises, one-fifth (1/5) of the net proceeds at the well received from the sale of gas, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products, the royalty shall be the market value at the well of one-fifth (1/5) of the gas so used, and as to all gas sold by Lessee under a written contract, the price received by Lessee for that gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold; (c) on all other minerals mined and marketed, one-fifth (1/5), either in kind or value at the well or mine at Lessee's election; and, (d) at any time and from time to time either at or after the expiration of the Primary Term of this Lease, if there is a gas well or wells on the land or lands pooled with the land subject to this Lease (and for purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate, or any gaseous substance and wells classified as gas wells by any governmental authority) and the well or wells are or have been shut-in before or after production, it shall be deemed that the well or wells are producing gas within the meaning of paragraph 1 and this Lease shall not terminate. In that event, Lessee covenants and agrees to pay, as royalty, shut-in gas royalty in the amount of One Dollar(s) (\$1.00) per acre per annum as long as the well or wells are shut-in and this Lease is not maintained in force or effect by any other of its provisions. The shut-in royalty shall be paid or tendered to Lessor or to Lessor's credit in the N/A (DIRECTLY TO LESSOR) Bank at N/A (DIRECTLY TO LESSOR), which Bank or any successor Bank shall continue to be the agent for Lessor and Lessor's successors and assigns. Should Lessee elect, that Bank may also be used to be paid any other sums, including royalties due under this Lease. If that Bank (or any successor Bank) should fail, liquidate, or be succeeded by another Bank, or for any reason fail or refuse to accept shut-in royalty payment, Lessee shall not be held in default until thirty (30) days after Lessor shall deliver to Lessee a recordable instrument making provision for another method of payment or tender. Any depository change is a liability of the Lessor. Any payment or tender of shut-in royalty made under the terms of this Lease may be made by check or draft of Lessee mailed or delivered to the Bank or to Lessor. In the event Lessee is obligated to pay the shut-in royalty indicated, the first payment of shut-in royalty shall be due and payable on or before ninety (90) days following the date on which the well is shut-in, or if shut-in during the Primary Term then on or before ninety (90) days following the expiration of the Primary Term, and subsequent payments, if required under the terms of this paragraph shall be due and payable annually on or before the anniversary of the date of the original payment. It is specifically provided that this is a Paid-Up Lease during the term set out above as the "Primary Term" and there shall be no obligations or liability on the Lessee to make any shut-in royalty payment or other payment during the Primary Term, and without any other payment this Lease shall remain in full force and effect during the Primary Term. The obligation to pay the shut-in royalty provided for above shall be a covenant running with the land, and under no conditions shall the failure to comply with this obligation serve or be used to terminate this Lease or to work any forfeiture of rights granted to the Lessee.
3. If at the expiration of the Primary Term of this Lease, oil, gas, or other minerals are not being produced from the lands or land pooled with the lands subject to this Lease, but Lessee is then engaged in drilling or reworking operations, this Lease shall remain in force so long

as drilling or reworking operations, are prosecuted (whether on the same or different wells) with no cessation of more than ninety (90) consecutive days, and if they result in production, so long thereafter as oil, gas, or other minerals are produced from the lands or land pooled with the lands subject to this Lease. If production of oil, gas, or other minerals on the lands or land pooled with the lands should cease from any cause after the primary term, this Lease nevertheless shall continue in force and effect as long as additional drilling operations or reworking operations are conducted on this Lease, or on any acreage pooled with the lands, which additional operations shall be deemed to be had when not more than ninety (90) days elapse between the abandonment of operations on one well and the commencement of operations on another well, and if production is obtained this Lease shall continue as long as oil, gas, or other minerals are produced from the lands or land pooled with the lands, and as long thereafter as additional operations, either drilling or reworking are had on the lands or pooled lands. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 467 feet of and draining the leased premises, Lessee agrees to drill offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this Lease shall be conclusive.

4. Lessee, its successors and assigns, at its option, at any time and from time to time, and without Lessor's joinder or further consent, is given the right and power to pool all or any part of the land or any interests covered by this Lease, as to oil, gas, condensate or distillate, or any of them, or either of them, with any other land, interests, lease or leases, or any of them adjacent, adjoining, or located in the immediate vicinity of the lands, when in Lessee's judgment it is necessary or advisable to do so in order to efficiently develop or operate the lands in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas on the lands, the pooling to be into a well unit or units not exceeding forty (40) acres for oil plus an acreage tolerance of ten percent (10%), and not exceeding six-hundred-forty (640) acres for gas plus an acreage tolerance of ten percent (10%), provided that should the governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units may be created or enlarged to conform substantially in size with those prescribed or permitted by governmental regulations. Lessee may pool all or part of the land or interests described above, provided as to oil or gas in any one or more strata and any units formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee to pool the lands, or any portion of the lands, into other units. Lessee shall execute in writing and file for record in the county or counties where the lands are situated an instrument designating and describing the pooled acreage, which pooling and designation may be accomplished either before or after a well or wells are drilled or completed on the unit. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, overriding royalties or payments out of production, as if it were included in this Lease; and drilling or reworking operations, production of oil or gas, condensate or distillate, cessation of production, or the existence of a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if the operations were conducted, or the production or cessation of production or existence of a shut-in gas well were on the land, whether or not the well or wells be located on the lands. In lieu of the royalties, overriding royalties or payment out of production, if any, specified in this Lease, Lessor shall receive from a unit only the portion of the royalty, overriding royalty or payment out of production, if any, as the amount of the acreage (surface acres) in the lands subject to this Lease, which is placed in the unit bears to the total acreage (surface acres) pooled in the particular unit involved. Shut-in gas royalties with respect to unit shut-in gas wells shall be payable in accordance with the provisions and in the amount set forth in this Lease. Should any unit created by the terms of this Lease contain less than the maximum number of acres specified or allowed, then Lessee may at any later time, whether before or after production is obtained on the unit, enlarge the unit by adding additional acreage, but the enlarged unit shall in no event exceed the acreage content specified or allowed. In the event an existing unit is enlarged, Lessee shall execute and file for record in the county or counties in which the lands are located a supplemental designation and description of the land added to the existing unit; provided, that if the supplemental designation and description is not filed until production is obtained on the unit as originally created, then and in that event the supplemental designation and description shall not become effective until the first day of the calendar month next following the filing. At any time, for any reason, or in the event the well or wells drilled on any unit shall fail to produce oil or gas, or in the event the production from any well or wells shall cease, Lessee may terminate any unitized area. A termination may be accomplished by filing for record in the county or counties where the lands are located proper instruments evidencing that termination.

5. Lessee shall have the free use of oil, gas, and water from the lands, except water from Lessor's wells and tanks, for all operations under this Lease, including but not limited to repressuring, pressure maintenance, cycling, and secondary recovery operations, and the royalty on oil and gas shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this Lease to remove all property and fixtures placed on the lands by Lessee, including the right to draw and remove all casing. No well shall be drilled within three hundred feet (300 ft.) of any residence or barn now on the lands, without Lessor's consent.

6. The rights of either Lessor or Lessee may be assigned in whole or in part, and the provisions of this Lease shall extend to the heirs, executors, administrators, successors, and assigns of the Lessor and Lessee, but no change or division in ownership of the lands or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee or impair the effectiveness of any payment previously made by Lessee. No change or division in the ownership of the lands or royalties shall impair the effectiveness of any payment previously made by Lessee or be binding on Lessee for any purpose (and irrespective of whether Lessee has either actual or constructive knowledge) until 60 days after the person acquiring any interest has furnished Lessee with the instrument or instruments or certified copies of them, constituting the person's chain of title from the original Lessor.

7. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant in this Lease due to force majeure. The term "force majeure" shall mean: any act of God including, but not limited to storms, floods, washouts, landslides, and lightning; acts of the public enemy; wars, blockades, insurrection or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, orders, or requests of federal, state, municipal or other governments or other governmental officers or agents under color of authority; freight embargoes or failures; exhaustion or unavailability delays in delivery of any product, labor, service or material. If Lessee is required, ordered, or directed by any federal, state, or municipal law, executive order, rule, regulation, or request enacted or promulgated under color of authority to cease drilling operations, reworking operations or producing operations on the lands covered by this Lease, or if Lessee by force majeure is prevented from conducting drilling operations, reworking operations, or producing operations, then until such time as such law, order, rule, regulation, request, or force majeure is terminated and for a period of ninety (90) days after such termination each and every provision of this Lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this Lease shall continue in full force. If any period of suspension occurs during the Primary Term, that time shall be added to the Primary Term.

8. Lessor warrants and agrees to defend the title to the land and agrees that Lessee at its option, may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so, it shall be subrogated to any lien with the right to enforce same and apply accruing royalties toward satisfying it. Without impairment of Lessee's rights under this warranty, in the event of failure of title in whole or in part, it is agreed that if Lessor does not own or have the right to lease the entire mineral estate purported to be leased in the land subject to this Lease, then the royalties and any other sums payable shall be reduced proportionately. Should any party named above as Lessor fail to execute this Lease, or should any party execute the Lease who is not named as a Lessor, it shall nevertheless be binding on the party or

parties executing it.

9. Lessee, its successors and assigns, shall have the right at any time to surrender this Lease, in whole or in part, to Lessor or Lessor's heirs and assigns by delivering or mailing a release to the Lessor, or by placing a release of record in the county in which the lands are located. After that time, Lessee shall be relieved from all obligations, expressed or implied, of this Lease as to the lands surrendered.

10. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

11. Lessee shall contact Lessor for approval of the location of any access roads, and pipelines, tank battery sites and drilling locations before work is commenced on lands covered by this lease. Such approval shall not be unreasonably withheld. Lessee shall not use any existing ponds or water wells on the lands covered by this lease. Lessee and its employees and contractors are prohibited from hunting, camping or fishing on any part of Lessor's land and firearms are not allowed on Lessor's land. Lessee shall remove all its trash, drilling mud and chemicals from the leased premises and shall level all ruts, ditches, and pits or excavations dug by it in its operations hereunder, and will restore surface of the leased premises, as nearly as possible to its original condition as soon as practicable after its drilling and completion operations are over, but in any event no latter than six months after termination of its use thereof, and will construct and maintain fences surrounding all pits and excavations sufficient to turn livestock until such pits and excavations are so leveled. Lessee shall pay Lessor for all damages done or caused to be done and arising out of the operations of Lessee to all livestock, building, fences, roads, ditches, culverts, trees, turf terraces, and other improvements, including but not limited to cultivated land and growing crops thereon. Lessee agrees to build and maintain an adequate firebreak if operations hereon create a fire hazard. After production is established, Lessee will fence all machinery and equipment from the operation of which livestock or persons may be injured. Lessee shall bury all pipelines below the bottoms of existing ditches, canals, and other water bottoms, and upon Lessors' request, Lessee shall bury said pipelines to a sufficient depth, or otherwise alter or modify same, so as not to interfere with reclamation, cultivation, or other actual or proposed operations, structures, facilities, or improvements of Lessors. Lessee shall locate its flowlines on the perimeter of the surface estates owned by Lessors to the extent possible to facilitate Lessors full use and enjoyment of their surface estate. Lessee shall plug and abandon all wells in accordance with the rules and regulations of any governmental agency having jurisdiction, shall remove all casing and pipe from abandoned wells or seismic operations down to a depth of at least 3 feet below ground level and 3 feet below the bottom of any water bottom in which same may be located, and shall remove all other obstructions in such water bottom. Prior to plugging any well drilled hereunder, Lessee shall offer such well to Lessor for Lessors conversion of said well to a water well. All roads shall be and remain private and not open to the public and will be conspicuously posted as such by Lessee. Lessee agrees to construct proper and sufficient braces at any point where fences may be cut and agrees to install permanent gates where fences are not replaced in their original condition. It is agreed that such braces shall be so constructed that slack will not develop in the existing fences. All gates installed shall be of a permanent type that can be locked with a padlock and chain. At Lessors request, Lessee agrees to install cattle guards at Lessees gates.

12. SEE EXHIBIT "A" FOR ADDITIONAL PROVISIONS OF THIS LEASE.

This Lease is executed by Lessor on the date of the acknowledgment of Lessor's signature, but is effective as of the Effective Date.

LESSOR:

By: D.J. (Bud) Starnes  
Printed Name: D.J. (Bud) Starnes  
Title: Pres

LESSOR:

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Corporate Acknowledgment.

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on this 24<sup>th</sup> day of October, 2008, by D.J. (Bud) Starnes, President,  
of Bud Starnes & Associates, Inc. a Texas corporation, on behalf of said corporation.



George L. Bond  
Notary Public in and for the State of  
Printed Name: George L. Bond  
Commission Expires: 5-3-2009

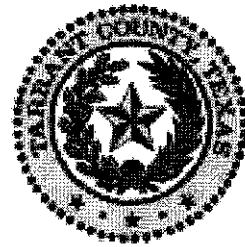
Exhibit "A"

If any of the following provisions conflict with or are inconsistent with any of the printed provisions or terms of this Lease, the following shall control.

- 1.) It is agreed upon by both parties that the shut-in royalty will at no time extend this lease for a period longer than two (2) years.
- 2.) It is agreed that any claim of delay by force majeure will not act to extend this lease in excess of two (2) years.
- 3.) Lessee and its employees, contractors, suppliers, agents, successors, or assigns shall at to time enter upon the leased premises for any reason whatsoever without the prior written consent of the lessor.
- 4.) If at any time after the date of this Lease, Lessee, its agents, partners, subsidiaries, affiliates, or assignees, shall enter into an oil and gas lease on lands within the unit boundaries applicable to the leased acreage, that provides for a bonus, on a per-acre basis, greater than the per-acre bonus paid to Lessor for this Lease, and/or a royalty in an amount greater than is provided for in this Lease, then Lessee shall pay to Lessor, as additional bonus for this Lease, an amount equal to the difference, on a per-acre basis, between the amount paid Lessor for executing this Lease and the greater amount determined by the terms of the Other Lease, and/or amend this Lease to provide for Lessor to be paid the greater royalty interest provided for in the Other Lease.

4.)

RETURN TO:  
Western Production Company  
801 Cherry Street, Suite 3850, Unit 39  
Fort Worth, TX 76102



WESTERN PRODUCTION CO  
801 WEST CHERRY ST # 3850

FT WORTH TX 76102

Submitter: WESTERN PRODUCTION COMPANY

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 10/30/2008 03:02 PM  
Instrument #: D208411323  
LSE 5 PGS \$28.00

By: \_\_\_\_\_



**D208411323**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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